APPENDIX 8

Exhibit "F"
Royce Financial Statement for Years-Ends 2005-2006

CONSOLIDATED FINANCIAL STATEMENTS

Royce Operating, LP
Years Ended December 31, 2006 and 2005

Royce Operating, LP

Consolidated Financial Statements

Years Ended December 31, 2006 and 2005

Contents

Report of Independent Auditors

To the Partners of Royce Operating, LP:

We have audited the balance sheet of Royce Operating, LP (the "Partnership"), as of December 31, 2006, and the related statements of operation, partner's capital accounts, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. The financial statements of Royce Homes, LP for the year ended December 31, 2005, were audited by other auditors whose report dated April 24, 2006, expressed an unqualified opinion on those statements.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of Royce Operating, LP and its subsidiaries at December 31, 2006, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

______________, 2007

Royce Operating,

Consolidated Balance Sheets

	December 31	
	2006	**2005**
Assets		
Cash and cash equivalents	$2,694,005	$ 1,229,224
Certificates of deposit (restricted)	340,935	334,689
Receivables		
Trade - title companies	3,757,687	7,581,161
Related parties	523,919	717,593
Other	3,265,671	2,658,701
Prepaid expenses	2,209,043	2,593,679
Residential housing inventory and land under development	234,922,092	182,876,320
Investment in projects	1,305,103	1,850,000
Property and equipment, net	6,123,155	6,837,764
Deposits and other assets, including nonrefundable lot purchase deposits of $ and $2,675,300, respectively	4,947,117	3,810,255
Total assets	$260,088,727	$ 210,489,386
Liabilities and Partners' Equity		
Construction costs not yet funded	$ 399,521	$ 2,564,353
Accounts payables		
Trade	11,575,817	15,178,838
Related parties	1,300,017	1,300,000
Accrued liabilities	8,866,786	10,946,273
Construction and acquisition/development loans payable	190,359,195	127,915,889
Capital lease obligation	4,459,058	4,653,680
Deposits and advances from customers	800,512	1,028,227
Total liabilities	217,760,906	163,587,260
Minority interest in subsidiaries	5,076,605	10,726,119
Commitments and contingencies (Note 6)		
Partners' equity	37,251,216	36,176,007
Total liabilities and partners' equity	$ 260,088,727	$ 210,489,386

See accompanying notes.

Royce Operating,

Consolidated Statements of Operations

Years Ended December 31, 2006 and 2005

	December 31	
	2006	**2005**
Home sales revenues	$308,985,911	$ 279,354,093
Cost of sales		
Direct costs	218,069,907	197,514,352
Indirect, selling and closing costs	29,957,142	23,585,413
	248,027,049	221,099,765
Gross profit	60,958,862	58,254,328
Operating expenses		
Marketing	17,775,847	16,162,909
General and administrative	21,073,082	16,057,287
Interest expense	4,985,983	3,390,769
Operating expenses	43,834,912	35,610,965
Income from operations	17,123,950	22,643,363
Other income		
Interest income	535,515	17,775
Other	1,181,682	3,698,942
Income before minority interest in net income of subsidiaries	18,841,147	26,360,080
Minority interest in net income of subsidiaries	3,250,545	(5,834,783)
Net income	15,590,602	$ 20,525,297

See accompanying notes.

Royce Operating,

Consolidated Statements of Changes in Partners' Equity

Years Ended December 31, 2006 and 2005

	General Partner	Limited Partners	Total Partners Equity
Balances at December 31, 2004	$ 298,698	$25,455,692	$25,754,390
Net income	205,253	20,320,044	20,525,297
Distributions to partners	(70,094)	(6,939,230)	(7,009,324)
Distributions to variable interest entities' partners	(19,926)	(4,432,592)	(4,452,518)
Contributions from variable interest entities' partners	13,580	1,344,582	1,358,162
Balances at December 31, 2005	**427,511**	**35,748,496**	**36,176,007**
Net income	158,431	20,095,020	20,253,451
Absorbed Losses	0	(4,662,849)	(4,662,849)
Change in minority interest	0	2,587,459	2,587,459
Distributions to partners	(169,919)	(16,898,148)	(17,068,067)
Distributions to variable interest entities' partners	380,619	(380,619)	0
Contributions from variable interest entities' partners	(34,760)	0	(34,760)
Balances at December 31, 2006	**$ 761,882**	**$36,489,359**	**$37,251,241**

See accompanying notes.

Royce Operating,

Consolidated Statements of Cash Flows

Years Ended December 31, 2006 and 2005

	December 31 2006	2005
Cash flows from operating activities		
Net income	$15,590,602	$ 20,525,297
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Minority interest in net income of subsidiaries	3,250,545	5,834,783
Depreciation and amortization	771,573	817,756
Loss on disposal of property and equipment	(379)	1,229
Changes in assets and liabilities		
Trade and other receivables	3,216,504	(3,942,381)
Prepaid expenses	384,636	(910,793)
Residential housing inventory and land under development	(52,045,772)	(42,522,179)
Deposits and other assets	(1,136,862)	(574,346)
Accounts payable and accrued liabilities	(5,682,508)	3,480,354
Deposits and advances from customers	(227,715)	243,403
Net cash used in operating activities	(35,879,376)	(17,046,877)
Cash flows from investing activities		
Investment in restricted certificates of deposit	(6,246)	(14,894)
Proceeds from release of restricted certificates of deposit		1,637,786
Capital expenditures	(61,718)	(120,623)
Proceeds from disposal of property and equipment	5,133	--
Net advances to affiliates	193,674	(201,368)
Net investment in projects	544,897	--
Net cash provided by investing activities	675,740	1,300,901
Cash flows from financing activities		
Net payments to affiliates	17	--
Change in construction costs not yet funded	(2,164,832)	758,647
Proceeds from construction and development loans	300,436,674	211,186,878
Repayment of construction and development loans	(237,993,368)	(184,122,215)
Repayment of capital lease obligation	(194,622)	(133,026)
Capital contribution from minority interest	34,760	
Capital contributions from variable interest entities	(34,760)	1,358,162
Distributions to partners	(11,885,081)	(7,009,324)
Distributions to variable interest entities' partners	(5,182,995)	(4,452,518)
Distributions to minority interest	(6,347,358)	(1,652,031)
Net cash provided by financing activities	36,668,435	15,934,573
Net increase (decrease) in cash		188,597
Cash and cash equivalents		
Beginning of year	1,229,224	1,040,627
End of year	$ 2,694,023	$ 1,229,224
Supplemental disclosure of cash flow information		
Cash paid for interest (net of capitalized amounts)	$	$ 3,212,352
Supplemental disclosure of noncash transactions		
Inventory transferred to property and equipment		822,622

See accompanying notes.

Royce Operating,

Notes to Consolidated Financial Statements

December 31, 2006

1. Organization and Summary of Significant Accounting Policies

Organization

Royce Operating, LP (the "Partnership"), a Delaware limited partnership, was formed on September 15, 2006. The Partnership is a holding company, owning directly or indirectly the various operating subsidiaries of the Partnership as referenced below.

The Partnership owns a 99% interest in Royce Homes, L.P. ("Royce Houston"), a Delaware limited partnership which was formed on June 30, 1998. Royce Houston is engaged principally in the construction and sale of single-family homes. In August 1999, the Royce Houston acquired a 66.6% ownership interest in Texas Colonial, L.P. ("Texas Colonial"). The primary market of the Royce Houston and Texas Colonial is southeast Texas. In 2002, Royce Homes - Atlanta, L.L.C. ("Royce Atlanta") and Royce Homes - Dallas, L.L.C. ("Royce Dallas"), subsidiaries of Royce Houston, were formed to conduct business in Atlanta and Dallas. Royce Houston owns a 99.9% interest in each entity. Royce Houston also owns a 100% interest in Royce Homes-North Carolina, L.L.C., which was formed in April 2006 to conduct business in Charlotte, North Carolina.

The Partnership also owns a 99.81% interest in Royce Homes-Phoenix, L.L.C. This subsidiary of the Partnership was formed in 1999 to conduct business in Phoenix, Arizona.

The Partnership conducts business with two other subsidiaries, Royce Model Homes, L.P. ("Model Homes"), and Park Lake Communities, L.P. ("Park Lake") which are, respectively, engaged in the ownership and leasing of model homes and the development of land and the sale of finished lots. The Partnership owns a 99% interest in each of the entities.

In addition, Park Lake is the majority partner of several joint ventures formed to develop land and sell finished lots, which is accounted for under the equity method.

The Partnership is owned 100% indirectly by John Speer and certain Speer family trusts.

The Partnership, its subsidiaries, and consolidated affiliates are collectively referred to as "Royce".

Principles of Consolidation

The consolidated financial statements include the accounts of Royce Operating, LP and its majority-owned subsidiaries and affiliates after elimination of intercompany transactions. Affiliated entities requiring additional subordinated financial support from the Partnership are

defined as Variable Interest Entities and are required to be consolidated pursuant to FIN 46-R, providing the Partnership is considered to be the primary beneficiary, beginning with the year ended December 31, 2005.

Revenue Recognition

Revenue from sales is recognized by Royce at the closing of the sale. A sale is considered to be closed when title, possession, and other attributes of ownership have been transferred to the buyer and Royce is no longer obligated to perform any significant activities related to the sale.

Residential Housing Inventory

Residential housing inventory is stated at the lower of specific cost or estimated net realizable value. Costs include land purchases, housing construction and other direct costs including interest on interim financing, overhead allocation, and taxes.

Property and Equipment

Property and equipment consists principally of an office building purchased under a capital lease. The office building is carried at the fair value assessed at the time of purchase and is depreciated using the straight-line method over the life of the lease, which is less than its estimated useful life.

The remainder of property and equipment primarily consists of office equipment, furniture, fixtures, autos and trucks. These assets are carried at cost and are depreciated using the straight-line method over the assets' estimated useful lives.

Maintenance and repairs are charged to expense as incurred. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income during the period in which the transaction occurred.

Cash and Cash Equivalents

Royce considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Financial Instruments

The carrying amounts of receivables, accounts payable and accrued liabilities, construction loans payable, and capital lease obligation are believed to reasonably approximate their fair values. The

Royce Operating,

Notes to Consolidated Financial Statements

carrying amount of debt includes principal as well as unpaid interest which is recorded in accrued liabilities.

Certificates of Deposit (Restricted)

During 2002, the Partnership invested in two separate certificates of deposit ("CD"), one in the amount of $322,000 and the other in the amount of $1,600,000. The $322,000 CD is being held pursuant to an agreement to purchase certain property and includes reinvested interest income of $18,935 for a total of $340,935. The $1,600,000 CD was released during 2005 with the final resolution of the legal matter further explained in Note 6.

Concentrations of Credit Risk

The Partnership invests its cash in deposit accounts with financial institutions that, at times, exceeds the federally insured limits. The Partnership has not experienced any losses from this credit risk.

Trade receivables from title companies represent proceeds from mortgage loans not yet funded by major title companies. These receivables are maintained in regulated trust accounts by the title companies and are generally collected within five days after the closing of each sale. Royce does not require collateral. Royce has not experienced any losses from these credit risks.

Warranty Obligations

Royce provides a one-year warranty on their homes for any structural defects. The related estimated expense is accrued when a home is sold based on 2% of the sales price. A third party warranty for certain structural defects is provided to home buyers, which limits Royce's exposure.

Deposits and Advances from Customers

Royce requires earnest money deposits from all purchasers. These amounts are recorded as deposits until such time as the sale has closed and the funds are applied toward the purchase price. Royce also, on occasion, may build homes financed through the buyer. The funds received are recorded as advances until the construction of the home is complete.

Capitalized Interest

Interest is capitalized on land and building activities during the construction period and included in cost of sales when revenue is recognized on the sale. Interest incurred subsequent to the construction period on unsold homes and model homes is expensed during the period incurred.

Royce Operating,

Notes to Consolidated Financial Statements

Interest and real estate taxes attributable to land development projects are capitalized as inventories.

Income Taxes

Income taxes on partnership income are the responsibility of the individual partners; accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred. These costs, included in general and administrative expenses, approximated $6,025,815 and $4,651,000 for the years ended December 31, 2006 and 2005, respectively.

Long-Lived Assets

Royce reviews long-lived assets for impairment whenever events indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the expected future cash flows from the asset.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions are related to contingencies. Actual results could differ from these estimates.

Minority Interest in Subsidiaries

Minority interest in results of operations of consolidated entities represents the minority shareholders' share of the income or loss of various consolidated subsidiaries. The minority interest in the consolidated balance sheets reflect the original investment, adjusted by purchase price allocation adjustments, by these minority shareholders in these consolidated subsidiaries, along with their proportional share of the earnings or losses of these subsidiaries.

Residential Housing Inventory

Residential housing inventory, substantially all of which is pledged as collateral for construction loans payable, consists of the following at December 31:

Royce Operating,

Notes to Consolidated Financial Statements

	December 31	
	2006	**2005**
Completed		
Under contract for sale	$29,830,862	$19,181,956
Unsold	45,894,115	27,993,817
Models	16,482,160	6,481,539
Under construction		
Under contract for sale	12,798,396	24,241,659
Unsold	20,307,795	25,881,769
Models	930,511	654,974
Land and lots		
Land under development	39,888,367	43,897,126
Finished lots in inventory	$74,565,782	$34,543,480

Royce Operating,

Notes to Consolidated Financial Statements

3. Property and Equipment

Property and equipment consists of the following at December 31:

	Estimated Useful Life (in Years)	2006	2005
Land	N/A	$1,014,870	$ 1,014,870
Building	15	1,172,660	1,169,909
Computer hardware and software	5 - 7	984,097	955,461
Autos and trucks	5	735,639	754,659
Office furniture and fixtures	5 - 7	882,710	852,380
Leasehold improvements	7	132,854	132,854
		4,925,830	4,880,133
Less: Accumulated depreciation		(2,123,112)	(1,718,735)
		2,802,718	3,161,398
Building under capital lease	15	5,088,091	5,088,091
Less: Accumulated amortization of building		(1,764,656)	(1,411,725)
		$ 6,126,153	$ 6,837,764

4. Accrued Liabilities

Accrued liabilities consist of the following at December 31:

	December 31 2006	2005
Warranty obligations	$1,970,414	$ 2,615,182
Accrued bonuses	1,488,813	2,312,616
Closed job accruals	2,222,157	2,852,239
Accrued legal costs	--	--
Commissions payable	372,814	591,481
General liability insurance accrual	652,273	612,028
Accrued property taxes	271,790	157,722
Accrued payroll taxes	299,616	269,303
Retainage payable	78,369	557,610
Accrued audit fees	197,552	182,922
Accrued travel/event costs	215,223	228,962
Miscellaneous	1,097,765	566,208
	$ 8,866,786	$10,946,273

Royce Operating,

Notes to Consolidated Financial Statements

4. Accrued Liabilities (continued)

A summary of warranty obligations for the years ended December 31 is as follows:

	December 31 2006	December 31 2005
Warranty obligation, beginning of year	$2,615,182	$ 4,577,483
Warranty costs accrued during the year	871,378	(1,079,087)
Warranty costs paid during the year	(1,516,146)	(883,214)
Warranty obligation, end of year	$ 1,970,414	$ 2,615,182

5. Construction Loans Payable and Note Payable

Home Construction Loans

Financing for construction of homes is available under agreements with various financial institutions with a total borrowing capacity of approximately $265,000,000 subject to certain financial covenants the most restrictive of which requires the Partnership to maintain a specified minimum level of net worth, a maximum ratio of total liabilities to tangible net worth and a maximum ratio of speculative homes to total homes in inventory. Pursuant to those agreements, funds are drawn by Royce as construction progresses. Such construction loans are repaid as homes are sold and title passes to the purchaser. Substantially all homes, lots and related improvements are pledged as collateral for the construction loans. The term of these loan agreements is generally 12 months from the loan origination date. At December 31, 2006 and 2005, the total amount of construction and acquisition/development loans payable outstanding was $190,359,195 and $127,915,889, respectively.

These financial institutions charge interest based on Prime or LIBOR plus stated margins. For the year ended December 31, 2006, annualized rates ranged from 6.52% to 9.25%.

As of December 31, 2006, the Partnership had speculative homes and certain regional sublimits in excess of the maximum ratios allowed by certain financial institutions, for which waivers were obtained. The overall ratio of financed speculative homes to total financed homes was approximately 55% on a total dollar basis at December 31,

Royce Operating,

Notes to Consolidated Financial Statements

2005. The financed speculative home percentage excluding financed model home units was approximately 51% on a total dollar basis at December 31, 2005. A summary of interest, including fees paid to obtain commitments for construction loans is as follows for the year ended December 31:

	December 31 2006	2005
Interest capitalized, beginning of year	$7,154,040	$ 4,489,127
Interest incurred	14,615,700	10,065,266
Less amount		
Included in cost of sales	(5,921,546)	(4,009,584)
Included in interest expense	(5,199,044)	(3,390,769)
Interest capitalized, end of year	$10,649,150	$ 7,154,040

Construction costs not yet funded represents disbursements which are expected to be funded by advances from the Partnership's available construction lines.

Acquisition and Development Loans

To ensure the adequate availability of finished lots for the construction of homes, Royce acquires land and develops finished lots primarily for its own account. Individual land development loan("A&D loans") are obtained for each project undertaken based on Prime or LIBOR rates plus stated margins. For the year ended December 31, 2006, annualized rates ranged from 6.5% to 9.0%. A&D loans are repaid as lots are acquired for home building and construction financing is obtained.

Minimum required principal repayments for A&D loans at December 31, 2006, are as follows:

2007	25,504,448
2008	12,057,633
2009	1,572,633
2010	417,633
2011	417,633
Thereafter	$10,792,579

Royce Operating,

Notes to Consolidated Financial Statements

6. Commitments and Contingencies

At December 31, 2006 and 2005, Royce had outstanding nonrefundable deposits, the amount of which is included in deposits and other assets, totaling approximately $3,306,200 and $2,675,300, respectively. At December 31, 2006, Royce has options to purchase 8,191 lots having a total purchase price of approximately $203,510,526.

The Partnership leases an office building which expires in 2016 and meets the criteria for recording as a capital lease. Rental expense totaled approximately $840,850 and $524,000 for the years ended December 31, 2006 and 2005, respectively.

The minimum lease payments in the aggregate and for the next five years under noncancelable leases will be as follows:

	Capital	Operating
2007	$857,871	$157,487
2008	857,871	91,882
2009	857,871	5434
2010	857,871	
2011	881,701	
Thereafter	3,969,355	$254,803
	8,282,540	
Amount representing interest	(3,807,170)	
Present value of minimum lease payments	$4,475,370	

During 2005, a previous judgment against the Partnership and other defendants was vacated and the $1,600,000 certificate of deposit used as collateral for the required bond was released.

The Partnership is involved in various other legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such proceedings and litigation will not have a material adverse effect on the Partnership's financial position, results of operations or cash flows.